



MEMORANDUM

TO: MFA Legislative Oversight Committee

FROM: Gina Hickman, Deputy Director of Finance & Administration

DATE: September 17, 2015

SUBJECT: Fiscal Year (FY) 2015-2016 General Fund Budget

Attached is MFA's General Fund proposed budget for FY 2015-2016. Revenue is projected at \$14,656,000, an increase of \$113,000 or 1% over projected 9/30/15 actual and an increase of \$1,712,000 or 13% over prior year budget. The expense budget is projected at \$12,070,000, an increase of \$1,872,000 or 18% over 9/30/15 projected actual and an increase of \$1,420,000 or 13% over prior year budget. The FY 2015-2016 budgeted excess revenue over expenses is \$2,587,000.

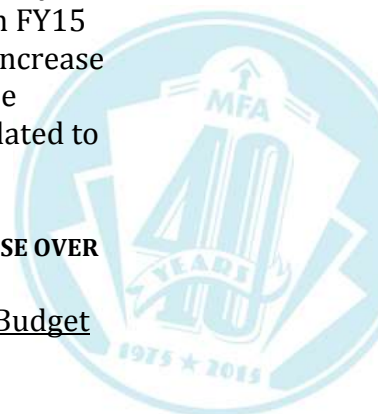
ANALYSIS OF SIGNIFICANT INCREASES (DECREASES) IN PROPOSED BUDGET TO PROJECTED ACTUAL AND PRIOR YEAR (PY) BUDGET

REVENUE: INCREASE OVER PY ACTUAL \$112,552 1%; INCREASE OVER PY BUDGET \$1,712,331 13%

The increase over prior year actual is primarily a result of interest earned on the warehouse loans and increased activity anticipated in servicing fees due to expanded Mortgage Operations, and an increase in investment interest income from Mortgage-backed Securities. These increases are offset by State Investment Council (SIC) Fair Market Value adjustments included in FY15 actuals. SIC Fair Market Value adjustments are not budgeted. The increase over prior year budget also includes an anticipated increase in To Be Announced (TBA) transaction fees and bond administration fees related to increased Single Family Program production.

OPERATING EXPENSES: INCREASE OVER PY ACTUAL \$867,987 11%; INCREASE OVER PY BUDGET \$694,885 9%

Salaries: Increase over PY Actual \$270,983 7%; Increase over PY Budget \$136,692 4% - See Attached Organization Chart



Regular merit increases are budgeted at 2.75% next year. In addition, the increase in actual and budget includes 1.5 additional full-time equivalent (FTE) positions, including a Compliance Officer effective 10/1/2015 and a full-time Management Trainee that is budgeted to begin 4/1/2016.

Payroll Taxes, Employee Benefits: Increase over PY Actual \$184,853 11%; Increase over PY Budget \$186,976 11%

The increase in taxes and benefits over actual and budget is primarily due to salary increases and changes in staff positions. In addition, the increase includes an overall increase in benefit premiums of approximately 7%.

Repairs, Maintenance & Leases: Increase over PY Actual \$155,547 49%; Increase over PY Budget \$157,762 50%

The increase over prior year actual and budget is for repairs to the building, including repair of the trim and parapets, painting of the building interior, and replacement of the carpet.

Interest Expenses: Decrease under PY Actual (\$54,256) (38%); Decrease under PY Budget (\$63,760) (41%)

The decrease under prior year actual and budget is because the MFA building bond was paid in full in September, 2015.

Contractual Services: Increase over PY Actual \$141,159 16%; Increase over PY Budget \$157,290 19%

The increase over prior year actual and budget is for consultant services related to the expansion of Mortgage Operations, and expanded internal audit services; professional support for Information Systems, Low Income Housing Tax Credit Program, and the Disaster Recovery & Business Contingency Plan; and contractors to make changes to cubicles, offices and the reception area. This increase is offset by a decrease in consultant fees for the investment advisor, legal counsel and a compliance consultant.

Direct Servicing Expenses: Increase over PY Actual \$62,761 114%; Increase over PY Budget \$72,327 159%

The increase over prior year actual and budget is for subservicing fees related to the expansion of Mortgage Operations.

NON-OPERATING EXPENSES: DECREASE UNDER PY ACTUAL (\$437,697) (27%); DECREASE UNDER PY BUDGET (\$442,166) (27%)

Capacity Building & Program Development: Decrease under PY Actual (\$449,216) (33%); Decrease under PY Budget (\$450,500) (33%)



The decrease under prior year budget is primarily due to a decrease in the Ventana Fund contribution and the Affordable Housing Act housing plan contracts.

CAPITAL OUTLAYS: INCREASE OVER PY ACTUAL \$1,425,975 9701%; INCREASE OVER PY BUDGET \$1,425,975 9701%

The increase over prior year actual and budget is for the purchase of mortgage servicing rights related to the expansion of Mortgage Operations.

NON-CASH ITEMS: INCREASE OVER PY ACTUAL \$15,497 2%; DECREASE UNDER PY BUDGET (\$258,206) (27%)

The decrease under prior year budget is related to a decrease in the Provision for Losses due to an adjustment in the second mortgage loan anticipated portfolio losses.